

TO: City Council Chair Ron Menor and Honorable Members
FROM: Frank Genadio
SUBJECT: Bill 42, Relating to Funding for Transit
DATE: May 10, 2017

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Mr. Chair, members, this testimony is presented in opposition to Bill 42—and to any effort by the city administration and the council to use property taxes and fees to cover the ever-escalating costs of construction for the steel wheels on steel rails (SWSR) project. I have no doubt that you are still hoping for a “back room” deal and special session of the State Legislature that will give you the authority to extend the surcharge on the General Excise and Use Tax (GET) for ten or twenty years, or “in perpetuity” (as first requested by the mayor), one that will get you out of a situation you are probably most “uncomfortable” with concerning its negative impact on your future electoral opportunities. I can assure you that I and probably many others will be reminding 2018 and 2020 voters in or out of our districts about who gave “Aye” votes to Bill 42 whether it passes or not. In fact, even if you get a “bailout” from the legislature and drop Bill 42 like a “hot potato,” I will also remember who votes “Aye” for another GET surcharge extension.

There is a “budget” for rail development; it is \$6.8 billion, raised through surcharge collections through December 31, 2027 and federally obligated funds of \$1.55 billion. Those of us who have continually proposed conversion of the SWSR system to urban magnetic levitation (maglev) believe that amount is enough to meet ALL of the major terms of the 2012 Full Funding Grant Agreement (FFGA). If this council had acted on such conversion years ago, the city could have delivered the project for the FFGA-specified amount of \$5.12 billion—an amount that is now less than half of the most recent federal “worst case” estimate of \$10.79 billion. And you can bet that most taxpayers now feel that it is only a matter of time before even that plateau is breached on the way to \$12 billion.

You have a fiduciary responsibility to all the residents of O’ahu to deliver the best mass transit system at the best price. You are now failing in that responsibility and seem to be incapable of even understanding how the level of hostility and disgust toward the project has increased with each new broken promise by the mayor and the Honolulu Authority for Rapid Transportation (HART). Perhaps you need a reminder of the project’s cost history: \$3.72 billion (Honolulu Advertiser, August 29, 2008); \$5.12 billion (FFGA, December 19, 2012); \$6.57 billion (Honolulu Star-Advertiser, October 16, 2015); \$8.1 billion (Federal estimate in Honolulu Star-Advertiser, May 15, 2016); \$10.79 billion (Federal worst case estimate in Honolulu Star-Advertiser, June 23, 2016); and \$9.5 billion (HART estimate in Honolulu Star-Advertiser, December 3, 2016). The mayor, of course, has alluded to a \$10 billion cost with debt servicing.

The demands for shortening or completely terminating the project also are increasing—and even being mentioned by members of this council. Those demands, of course, necessitated a “scare tactic” release by HART of what it will cost to kill rail and restore the environment. Ignoring the need for meeting future contract negotiations and the possibility of lawsuits still leaves the city with having spent \$2,649 million through January 2017, the repayment of \$712 million to the Federal Transit Administration (FTA) for funds drawn to-date, and \$250 million to remove and dispose of existing structures, a total of \$3.611 BILLION “scattered to the four winds.”

I am aware that rail foes will say that would be the best option, taking our losses and forgetting rail as a transit alternative. SWSR supporters will say that, because of the potential loss of that money—or even more—it is best to just press on and complete the project whatever the cost. That would enable all of the special interests—as disclosed if one examines the members of the Board behind the “Move O’ahu Forward” advertisement in the 23 April Honolulu Star-Advertiser—to continue “milking the rail cash cow” out of every dollar above the current \$6.8 billion plateau. The state legislators and the members of this council beholden to those special interests, along with the steel wheels “brainwashed” union members and backers of affordable housing who seem unable to grasp that transit-oriented development does not require SWSR to work, should instead be making every effort to keep the project fiscally responsible.

That responsibility includes careful examination of costs for operations and maintenance (O&M) once (if?) the system reaches full operational status, a subject brought up as a concern by a member of this council the other day. Since federal funds are not available for O&M to any municipality with a population above 200,000, we already are looking at considerable property tax increases. That impact can be lessened. On a straight-up comparison, costs for urban maglev O&M would be 40 percent of the amount required for SWSR (a conservative estimate, since many in the maglev “community” use one-third). HART interim chief executive officer Krishniah Murthy stated in a legislative session that first-year O&M costs for rail would be \$126 million. Maglev costs would be \$50+ million (let us make it \$51 million, for an even cost differential of \$75 million per year. With ZERO inflation, 30-year O&M savings with maglev would be \$2.25 billion; inflationary increases would, in effect, increase savings with maglev.

As for rail construction, initially, there was never a plan for raising property taxes for that purpose. To quote Mayor Kirk Caldwell; “Our real-property taxes (won’t) pay for rail.” (Star-Advertiser, July 5, 2013). The mayor “changed his tune” at the legislature in 2015, stating the tax need if he did not get legislative approval for the five-year surcharge extension. How many more times will it be necessary to go through this routine before rail ever reaches Ala Moana? Every new council vote for ANY means to increase rail funding adds to your complicity in taking even more money away from the other needs of residents; a \$12 billion project will mean a \$10,000 “stake” in rail for every person on O’ahu—even with a 15 percent contribution from tourists. That does NOT include residents’ required subsidization of mass transit O&M.

Considering your probable disillusionment with the SWSR project, your skepticism of conversion to maglev is understandable. You cannot, however, dismiss any plan that has the potential for completing the rail project at a reasonable cost. That would include not just maglev but also ending the elevated guideway at Middle Street and continuing with an at-grade system through the city. I have called for a full review of the project but am sure that you can understand my skepticism for having the city and HART conduct such a review. I will again propose that the FTA conduct a fair and objective review that includes the impact of terminating rail and the costs, technology, and even the alignment for the following three options:

- Continuing with the existing plan, with the “defense team” from the city and HART. The current cost estimate, not including financing, is \$8.2 billion according to the mayor.

- Completing the SWSR guideway to Middle Street, dropping it to grade from there, modifying delivered rail cars, and adding operators for the trains. Honolulu Transit Task Force (also known as “Salvage the Rail”) members would participate in the review, with at-grade’s cost estimate—based on their figures—at \$7.23 billion.
- Stopping construction on the SWSR guideway at its current location, Aloha Stadium, converting that guideway for use by BOTH maglev and SWSR trains (or converting delivered rolling stock to maglev), building a maglev-only guideway for the remaining ten miles, and completing all other requirements from the FFGA. An American Maglev 2000 engineering team would participate in the review, with the cost estimated at less than the \$6.8 billion in available funding.

A maglev conversion cost estimate folio was sent to you (i.e., the Council and Transportation Committee Chairs). It is already in sufficient detail for the initial review and I look forward to a fair and open comparison, one that did not occur for participation by a Japanese maglev and other systems when a steel-on-steel only competition was manipulated by an earlier administration. The council at that time abrogated its responsibility to select the rail technology after approving a “fixed guideway” system, not one restricted to SWSR.

Along with calling for a federal review, this council also should set up a public hearing on mass transit that would explore all options. Those residents who work, have families, and attend school find it very difficult to attend weekday council and legislative sessions but their voices should be heard. Meeting on a Saturday at a convenient venue would considerably increase participation. Other than union members, you are used to seeing older and retired people at your hearings; perhaps you need to hear from the younger residents, the ones who will either benefit greatly from modern mass transit or suffer the longest financially from an inefficient rail system.

Leave Ordinance 07-001 unchanged by killing Bill 42 rather than sending it back to committee while you hope for a special session of the State Legislature, request a pause in the current project for a comprehensive review by FTA officials, and start thinking about 21st Century rail technology for O’ahu. I will be anticipating a “win” for American designed urban maglev. Mahalo and Aloha.

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